APR 1 8 [illegible]

RJReynolds
Tobacco Company

M. L. Jones (Mickey)
National Manager-Trade Relations

Winston-Salem, NC 27102
910-741-6613

April 2, 1996

Mr. J. W. Best
Mr. P. J. Cundari
Mr. R. M. Sanders
Mr. D. L. Wilmesher

RE: **NAG CONVENTION**
Dallas, Texas - March 16-19, 1996

Tom Trader and I attended the above show which is made up of smaller c-store chain owners. Also in attendance from RJR was John Boehm who conducted a roundtable discussion on issues and concerns in the c-store industry (see attached attendees). We are supplying you John Boehm's summary of the Roundtable Discussion, as well as Trade Relations. Also, Trade Relations is providing you comments from your customers obtained during individual meetings on other issues. The following comments were obtained during these discussions:

NAG ROUNDTABLE MEETING

- Concern with cigarette outlets/Indian Stores

  - Bill Spence - no current problem in combating competition
  - John MacDougall - no current problem in combating competition
  - Bill Kent - felt cigarette outlets were only temporary setbacks and did not have staying power
  - No one sees cigarette outlets as a long term threat.

- Industry Approach vs. PM Exclusivity

  - All retailers agreed with industry approach
  - Rice Horkey, John MacDougall, Bill Spence, and Wes Little depend on RJR as category advisor (much better than PM)
  - Rice Horkey had excluded PM, but was competitively disadvantaged and allowed PM to co-exist.
  - Bill Spence does not have contract with PM because they would not agree to co-exist.

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- SKU Issue

  - Rice Horkey and Wes Little feel industry needs to take a serious look at number of SKUs.

- Information Resources

  - Felt RJRT rep did a good job in keeping them informed on promotional activity on a monthly basis.
  - All agreed that soft drink/beer companies were the best to work with because of weekly coverage to discuss/evaluate sales data and availability of promotions. Main emphasis on adjustment of promotional activity based on competitive activity.

- Scanning

  - Presents industry with a promotional opportunity as it relates to individual marketplace/stores to discount, buy down and promote.
  - Manufacturer should be looking at some type of cost sharing proposition.

- Industry Contracts

  - Rice Horkey/Louie Sheetz - industry too vulnerable and are concerned with too many changes. Would like to see long term commitment.

  - Louie Sheetz - promotional support more important than RDAs.

  - Bill Spence - sees RDAs and promotions are equally important and could not be separated.

  Also feels cigarette displays have a very positive effect on sales but stated the days of adding displays to additional RDAs are over.

  - Bill Kent - need more flexibility with promotions and displays vs. emphasis on RDAs.

  Also, manufacturer needs to be more creative in approach.

  - John MacDougall and Bill Kittrell - Too many displays required (customer perception - image). Greater emphasis on promotions to offset RDA loss.

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All agreed that manufacturer should be looking for ways to create sales incentives through promotional activity vs. displays (RDAs). Majority felt we were paying substantial dollars for displays but not driving the business.

All agreed "the door" was open to RJRT to create more flexibility in approach in eliminating the bundle approach and creating sales incentives to drive the business (continuity programs on long term basis).

Bundle dollars available to retailer and allow them to get involved in the marketing/promotional strategy.

- State of Industry

All concerned with issues facing the industry and feel we should be more up front about potential impact/long term effect, i.e., LeBow issue, liability suite, etc. -- in other words, better communication between retailer and manufacturer which would reinforce our creditability with our customers.

Additionally, the following information was obtained from individual meetings with c-store chains during exhibit hours. Hopefully, you will agree we need to follow-up with each account as soon as possible:

Jimmy Lewis President Express Lane, Inc.	This chain wants a presentation on "industry approach" for cigarette category - very interested in changing!
John Behrendt General Manager Hit n Run Food Stores Alton, IL	Account would like an RJR manager contact him to discuss promotions (Telephone: 618-462-9829)
Mike Griffith President Golden Pantry Athens, GA	40 stores test with RJR as category advisory. Chain plans to aggressively promote cartons/packs (cigarette outlet image). Chain wants to share in more profits with manufacturer and private label program.
Pat Kennedy Director - Retail Operations Clinard Oil Co., Inc. High Point, NC	Chain is pro RJR; however, she has had three RJR reps in one year and each time she has to re-negotiate retail contracts based on S/R interpretation.

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Alan Reeves President Jr. Food Stores Bowling Green, KY	Would like RJR management to meet with him vs. S/R to discuss cigarette outlets to open in the near future.
Scott McNally District Manager Toot-n-Scoot Pittsburgh, PA	Needs 19 "We Card" kits - **as soon as possible** (Gary Loser will handle)
W. Clifton Van Cleave Operations Manager Buffalo Services, Inc. dba B-Kwik Food Marts Crosby, MS 39633	Chain not happy with current RJRT OPM; would like to discuss alternatives with rep.
Wyatt Phillips Vice President-Marketing Kwik Trip Tulsa, OK	Discussed RJR philosophy to cigarette category and private label segment. Wyatt basically stated "their door is wide open to new ideas to generate sales".

Finally, as information, PM presented their annual video presentation which focused on category management and specifically on reducing SKUs and improving return on investment. Additional discussion on space management as it relates to store layout and again stressed product mix to maximize ROI. Cigarettes was one category among many discussed and the following chains were used as a supporting cast:

- Tom Thumb Food Stores > This account is pro PM; maybe we can use McLane (supplier) to assist RJR in leveraging account.
  Hialeah, FL
  Jim McCarthy - President
- Kwik Trip Corporation
  Tulsa, OK
  Ron Males - Vice President, Sales
- Plaid Pantries, Inc. (pro RJR; very little discussion on the cigarette category as it relates to PM philosophy)
  Beaverton, Or
  Chris Girard - CEO

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Gentlemen, should you need assistance on any issues with these accounts, Trade Development or Trade Relations stand ready to assist you. As you know, if we are not responsive with our retail customers, the value of conducting roundtables for information doesn't exist.

M.L. Jones

MLJ:cg
Attachment

cc: Mr. Mike Buckler
Mr. Bill Duffy
Mr. Jim Maguire
Mr. Rich Pettorini
Mr. Scott Steen
Mr. Bryan Stockdale
Mr. John Boehm

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January 17, 1996

«Salutation» «Name»
«Title»
«Company»
«Ship_Address»
«Address»
«City», «State» «Zip»

Dear «Nickname»

We would like to invite you to join R. J. Reynolds Tobacco Company for a roundtable discussion on Friday, March 15, 1996, from 2:00 p.m. - 5:00 p.m., during the upcoming NAG Semi-Annual Convention in Dallas, Texas.

We would like to have a lively and candid discussion on the following topics regarding the cigarette category and any other topics you would like to discuss:

- Category management (exclusivity vs. industry)
- Managing three price tiers for profit
- Importance of RDAs vs. promotions
- Cashier/manager support at retail placing displays/P.O.S.
- Preventing tobacco sales to minors

Attending the convention and roundtable from RJRT will be Tom Trader-Director, Trade Relations, Mickey Jones-National Manager, Trade Relations, and Mike Buckler-National Manager, Trade Marketing.

Following the meeting on Friday, we hope you will join us for dinner, and we promise not to keep you out too late due to your early morning board meeting on Saturday.

Please complete the attached RSVP form and return to me via fax **by February 5,** 1996. Once we confirm your attendance, a letter will be sent to you regarding details for the meeting and dinner.

We appreciate your business this year and look forward to an opportunity to meet with you.

Sincerely,

Mickey

M. L. Jones

MLJ:cg
Attachment

cc: Mr. John Boehm
Mr. Tom Trader

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Invitation Tracking for: NAG Roundtable 3/15/96

26-Mar-96

Invited	Accepted	Name	Title	Company	City	State	Phone	Priority	Stores	Region
Yes	Y	Bill Kittrell	Vice President	Big K Food Stores, Inc.	Hattiesburg	MS				
Yes	N	Jimmy Lewis	President	Express Lane, Inc.	Panama City	FL	904-769-8977			
Yes	N	Wayne Levitt	President	Gate Petroleum Company	Jacksonville	FL				
Yes	N	Joe Horkey	President/CEO	Horkey Oil Company, Inc./Friends Convenience	Lubbock	TX				
Yes	Y	Rice Horkey	Vice President	Horkey Oil Company, Inc./Friends Convenience	Lubbock	TX	806-765-6681		46	5844
Yes	Y	William B. Kent	President	Kent Oil, Inc.	Midland	TX	915-563-1620			
Yes	Y	Bill Spence	Vice President/Director	Love's Country Stores, Inc.	Oklahoma City	OK	405-751-9000			
Yes	Y	John MacDougall	President/CEO	Nice-N-Easy Grocery Shoppes, Inc.	Canastota	NY	315-697-2287		25	1600
Yes	N	William C. Girard, Jr.	Chairman/President/CE	Plaid Pantries, Inc.	Beaverton	OR	503-646-4246	2	103	5600
Yes	Y	Wes Little	President	Quik Mart Stores	Tucson	AZ	602-795-9563			
Yes	N	Troy Little	Vice President	Quik Mart Stores	Tucson	AZ	602-795-9563		25	5400
Yes	N	Stewart E. Hartman, Jr.	President	Rutter's Farm Stores (CHR Corp.)	York	PA		A	54	1742
Yes	Y	Louie Sheetz	Vice President, Marketin	Sheetz, Inc.	Altoona	PA	814-941-5240	A	175	1000
Yes	N	J. Michael Enis	Executive Vice Presiden	Spectrum Stores, Inc.	West Point	GA	706-645-2275			
Yes	N	Betty Kingham	Marketing Manager	Venta, Inc.	Denver	CO	303-892-7171		26	
Yes	N	William B. Weigel	President	Weigel's, Inc.	Powell	TN	615-938-2042			

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